



MEMORANDUM

DATE: May 23, 2000

TO: Michigan Economic Growth Authority

FROM: James Donaldson, Vice President
Michigan Business Development

SUBJECT: Briefing Memo – American Axle & Manufacturing, Inc.

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COMPANY NAME AND ADDRESS:

American Axle & Manufacturing, Inc.
1840 Holbrook
Detroit, Michigan 48212-3488

HISTORY OF COMPANY:

American Axle & Manufacturing, Inc. (American Axle), established in 1993, is a manufacturer of axles for use in light trucks and sport utility vehicles. The company has a total of 8,950 employees, 5,851 of whom are in Michigan. The company was part of General Motors Corporation until it was sold in 1994.

DESCRIPTION OF PROJECT:

American Axle has been asked by its customer to increase its manufacturing capacity. In response, the company plans to add axle capacity at one of its many manufacturing facilities. The Mexico facility has some excess capacity. The company currently operates a facility in Three Rivers, Michigan employing 875 people that could be expanded, although the facility currently manufactures a different product line.

The company would invest \$73.2 million in building improvements and machinery and equipment. New jobs would total up to 233 over a three-year period at an average weekly wage of \$586 and a benefit package of approximately 45 percent of wages. Building construction would begin in January 2001 and be complete by July 2001. Production at the facility would begin in September 2001.

Governor John Engler
GENERAL CHAIR

Doug Rothwell
PRESIDENT & CEO

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BENEFIT TO THE STATE:

According to the economic analysis done by the University of Michigan, we estimate this facility will generate a total of 508 jobs in the state by the year 2015. Total state government revenues through the year 2015, net of MEGA costs and adjusted for inflation, would be increased by \$15,448,000 (2000 dollars) due to the presence of the American Axle facility.

COST ANALYSIS:

As part of the company's decision-making process, it has undertaken a comprehensive cost analysis between Three Rivers, Michigan and Guanajuato, Mexico. Based on figures obtained from the company, the cost disadvantage for American Axle to site this expansion in Michigan rather than Mexico amounts to approximately \$6,000,000 annually over the term of the incentive.

The most significant factor in this differential is wages. In Mexico, the company currently pays workers \$4 per hour plus fringes, whereas in Michigan the company pays \$14 per hour plus fringes.

OTHER STATE AND LOCAL ASSISTANCE:

The state of Michigan will provide American Axle a 100 percent abatement of the 6-mill State Education Tax for a length of time to match the local property tax abatement. It is estimated that the value of this abatement will be \$1,180,223. In addition, the state will offer job training assistance of \$700 each for up to 233 net new jobs, or a total of \$163,100.

The City of Three Rivers will be providing the company with a 50 percent abatement of the local property taxes for a period of 12 years, estimated to be worth up to \$5,512,960.

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BUT FOR:

The company conducted both a cost analysis and a strategic analysis of where would be best to site this expansion. The strategic analysis pointed to two main reasons why the company should explore the Three Rivers alternative. First, the Three Rivers facility has a long history of having an exemplary workforce in terms of productivity, education level, attendance and a cooperative relationship with management. Secondly, the company feels that a secondary source of supply in the U.S. might better ensure the company's long-term success. These strategic reasons alone, however, were not enough to convince the company to put the project in Michigan. The incentive package being offered by the state and local governments tips the scales just enough to make the Three Rivers alternative viable.

RECOMMENDATION:

The Michigan Economic Development Corporation recommends a MEGA employment credit of 100 percent for up to 233 net new jobs for a period of fifteen years, and a business activity credit of 100 percent for a period of fifteen years.